

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER RAPER
COMMISSIONER ANDERSON
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: RILEY NEWTON
DEPUTY ATTORNEY GENERAL

DATE: OCTOBER 22, 2021

SUBJECT: IN THE MATTER OF THE COMMISSION STAFF'S APPLICATION TO UPDATE AVISTA CORPORATION'S COST OF CAPITAL INPUTS IN THE SURROGATE AVOIDED RESOURCE METHOD; CASE NO. AVU-E-21-16.

On October 22, 2021, the Commission Staff ("Staff") applied to the Commission requesting approval of an update to the cost of capital inputs in the Surrogate Avoided Resource method ("SAR Method") for Avista Corporation ("Avista"). Staff requests its Application be processed by Modified Procedure under the Commission's Rules of Procedure.

APPLICATION

The Commission has approved the SAR Method for calculating the avoided cost rates for Public Utilities Regulatory Policies Act of 1978 qualifying facilities ("QFs") paid by Idaho Power, Avista, and Rocky Mountain Power. Application at 1.

Staff asserts that the Commission calculates and publishes SAR Method rates for QFs that are under the applicable resource type project eligibility cap. *Id.* Staff states the SAR Method uses each utility's approved cost of capital from their last general rate case. *Id.* Avista's current cost of capital used in the SAR Method was determined in Case No. AVU-E-19-04. *See* Order No. 34499.

On September 1, 2021, the Commission issued Order No. 35156 in Avista's most recent general rate case (Case No. AVU-E-21-01) triggering an update to Avista's SAR method cost of capital inputs. Staff states the cost of debt has changed from 5.2% to 4.70%, and the cost of common equity has changed from 9.5% to 9.40%. *See* Order No. 35156 at 3. As a result, the weighted cost of capital has changed from 7.35% to 7.05%. *Id.*

STAFF RECOMMENDATION

Staff recommends the Commission issue a Notice of Application and Notice of Modified Procedure establishing a 21-day comment period and a 7-day reply period.

COMMISSION DECISION

Does the Commission wish to issue a Notice of Application and Notice of Modified Procedure and establish a 21-day comment period and a 7-day reply period?



Riley Newton
Deputy Attorney General

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